

IPSAS



# Informal Briefing on IPSAS implementation and Financial Reporting

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Executive Board Briefing  
4<sup>th</sup> December 2007



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# 1. INTRODUCTION

## IPSAS – The Benefits

- Comparability with other international organizations and national governments:  
from self-produced standards (UNSAS) to independent standards tailored to the public sector organisations (IPSAS)
- Improved financial information supports better governance and internal financial management
- Enhanced accountability, transparency and harmonization of financial accounting and reporting within the UN
- Improved quality and credibility of UN System financial reports
- Consistency



# 1. INTRODUCTION

## Cash basis vs Accrual basis

### Cash basis:

- Recognition of transactions and other events only when cash is received / paid.
- Revenue is recognised when cash related to contributions is received, not when contributions are confirmed.
- Expenses are recognised when the disbursement is made to the supplier / vendor not when goods / services are received.

### Accrual basis:

- Transactions and other events are recognized when they occur (not only when cash is received /paid).
- Transactions and events are recorded in the accounting records at the periods to which they relate.



## 2. UN ACTION

- UN General Assembly's approval of IPSAS implementation system-wide by January 2010 subject to ERP upgrade;
- IPSAS Steering Committee (SC) and Focus Groups (FG) established by the Task Force (TF);
- UN (TF) Accounting Standards working to facilitate IPSAS adoption;
- Establishment of an Accounting Standard Project overseen by CEB/TF.



### 3. WFP ACTION

- WFP's EB approved IPSAS early adoption at WFP effective 01/01/08;
- Mid 2006 establishment of professional team to assess and develop IPSAS requirements for WINGS II development in coordination with NAO;
- Participation in UN WG & development of accounting implementation manual;



### 3. WFP ACTION (cont'd)

- Establishment of opening balances, financial position as of 01/01/08 IPSAS compliant; coordination with relevant Business Users;
- Change Management Coordination program for organizational-wide communication and training strategy for IPSAS awareness;
- Regular EB updates.



## 4. MAJOR AREAS IMPACTED

- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison







## FINANCIAL REGULATION 13.1 - Amended effective 2008

“The Executive Director shall submit to the Board for its approval annual financial statements in respect of the WFP Fund, including its funds and accounts.

These financial statements shall be prepared in accordance with United Nations Common Accounting Standards, except when the nature of WFP's operations requires different internationally accepted accounting standards.

The format of the financial statements shall be such as may be appropriate to clearly show the financial position of WFP and meet the managerial requirements of the Board and of the Executive Director.”







## A set of financial statements comprises of:

### UNDER IPSAS

- a) Financial position
- b) Financial performance
- c) Changes in net assets/equity NEW
- d) Cash flow
- e) Comparison of budget and actual amounts; NEW
- f) Notes, "comprising a summary of significant accounting policies and other explanatory notes."

### UNDER UNSAS

- a) Assets, liabilities, reserves and fund balances
- b) Income and expenditure
- c) Cash flow
- d) Notes



## Financial Position (IPSAS) & Assets, Liabilities, Reserves and Fund Balances (UNSAS)

### MAIN DIFFERENCES:

#### Presentation of assets and liabilities by:

- CURRENT
- NON-CURRENT

#### Inclusion among assets of:

- INVENTORIES,
- PROPERTY PLANT AND EQUIPMENT,
- INTANGIBLE ASSETS

#### Inclusion among liabilities of:

- EMPLOYEE BENEFITS
- PROVISIONS
- CONTINGENT LIABILITIES





## COMPARATIVE FIGURES

Comparative figures will not be presented for the first year of IPSAS adoption as per agreement of the United Nations Task Force on Accounting Standards in an effort to foster consistency and harmonization.



## Financial Position (IPSAS) & Assets, Liabilities, Reserves and Fund Balances (UNSAS)

### COMPARISON OF ASSETS UNDER UNSAS AND IPSAS

#### ASSETS-UNSAS

- Cash and short-term investments
- Cash held in trust in Country Offices
- Accounts receivable
- Contributions receivable
- Long-term investment

#### ASSETS-IPSAS

- **Current Assets**
- Cash and Cash equivalents
- Short term investments
- **Inventories**
- Accounts receivable (non exchange transactions)
- Receivables from exchange transactions
- Other current assets
- Total Current Assets
- **Non-Current Assets**
- Long-term investments
- Accounts receivable (non-exchange transactions)
- Other financial assets
- **Property, plant and equipment**
- **Intangible assets**
- Other non-current assets
- Total Non-current assets



## Financial Position (IPSAS) & Assets, Liabilities, Reserves and Fund Balances (UNSAS)

### COMPARISON OF LIABILITIES UNDER UNSAS AND IPSAS

#### LIABILITIES-UNSAS

- Current Liabilities
- Accounts payable
- Funds held in trust in Country Offices
- Total Current Liabilities
- Long-Term Loan

#### LIABILITIES-IPSAS

- CURRENT LIABILITIES
- Accounts payable (exchange transactions)
- **Employee benefits**
- Transfers payable
- Advance receipts
- Short-term loans
- **Provisions**
- Other current and financial liabilities
- Total Current Liabilities
- NON-CURRENT LIABILITIES
- Transfers payable
- **Employee benefits**
- Long-term loan
- **Provisions**
- Other non-current liabilities
- Total Non-current Liabilities





STATEMENT II (UNSAS)  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCES  
AS AT 31 DECEMBER 200X  
(US\$ thousand)

	Notes	Programme Category Funds	General Fund and Special Accounts	Bilateral Operations and Trust Funds	Total WFP	Prior Period
<b>ASSETS</b>						
Cash and short-term investments		xxx	xxx	xxx	xxx	xxx
Cash held in trust in Country Offices		xxx	xxx	xxx	xxx	xxx
Accounts receivable		xxx	xxx	xxx	xxx	xxx
Contributions receivable		xxx	xxx	xxx	xxx	xxx
Long-term investments		xxx	xxx	xxx	xxx	xxx
<b>TOTAL ASSETS</b>		<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable		xxx	xxx	xxx	xxx	xxx
Funds held in trust in Country Offices		xxx	xxx	xxx	xxx	xxx
<b>Total Current Liabilities</b>		<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Long-term loan		xxxx	xxxx	xxxx	xxxx	xxxx
<b>TOTAL LIABILITIES</b>		<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>
<b>RESERVES AND FUND BALANCES</b>						
Reserves		xxx	xxx	xxx	xxx	xxx
Fund balances		xxx	xxx	xxx	xxx	xxx
<b>TOTAL RESERVES AND FUND BALANCES</b>		<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>		<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>



STATEMENT I (IPSAS)  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 200X  
(US\$ Thousand)

	Notes	Total WFP	Prior Period
<b>ASSETS</b>			
Cash and short-term investments		XXX	XXX
Inventories		XXX	XXX
Accounts receivable		XXX	XXX
Total current assets		XXXX	XXXX
Property, Plant & Equipment		XXX	XXX
Total non-current assets		XXXX	XXXX
<b>TOTAL ASSETS</b>		XXXX	XXXX
<b>LIABILITIES</b>			
Accounts Payable		XXX	XXX
Provisions		XXX	XXX
Other current and financial liabilities		XXX	XXX
Total current liabilities		XXXX	XXXX
Employee benefits		XXX	XXX
Long-term loan		XXX	XXX
Total non-current liabilities		XXXX	XXXX
<b>TOTAL LIABILITIES</b>		XXXX	XXXX
<b>NET ASSETS/EQUITY</b>			
Accumulated surplus/(deficits)-fund balances		XXX	XXX
Initial recognition of PP&E and Inventories		XXX	XXX
Reserves		XXX	XXX
<b>TOTAL NET ASSETS/EQUITY</b>		XXXX	XXXX
<b>TOTAL LIABILITIES and NET ASSETS/EQUITY</b>		XXXX	XXXX



## FINANCIAL STATEMENTS - Segment reporting:

Segment reporting will assist in understanding WFP's past performance and will identify the resources allocated to support its major activities

WFP's segment reporting will be based on its service segments:

- Programme categories
- General Fund
- Bilateral/Trust funds

Disclosed will be Segment revenue, Segment expense, Segment Assets and Segment Liabilities



## A set of financial statements comprises of:

### UNDER IPSAS

- a) Financial position
- b) Financial performance
- c) Changes in net assets/equity NEW
- d) Cash flow
- e) A comparison of budget and actual amounts; NEW
- f) Notes, "comprising a summary of significant accounting policies and other explanatory notes."

### UNDER UNSAS

- a) Assets, liabilities, reserves and fund balances
- b) Income and expenditure
- c) Cash flow
- d) Notes

## MAIN DIFFERENCES:

### Capitalization of costs:

- Cost of commodities distributed/transferred instead of commodities purchased (now treated as inventories)
- Asset purchases capitalized if above threshold

### Additional cost lines:

- Depreciation and amortization charges for capitalized assets and intangibles
- Provisions and contingent liabilities





## Financial Performance (IPSAS) & Income and Expenditures (UNSAS)

### COMPARISON OF EXPENDITURE UNDER UNSAS AND UNDER IPSAS

#### EXPENDITURE-UNSAS

- Commodities in-kind
- Commodities purchased
- Ocean transport and related costs
- Landside transport storage and handling
- Other direct operational costs
- Direct support costs
- Programme support and administration
- Asset purchases

#### EXPENSES-IPSAS

- Cost of commodities distributed/transferred
- Distribution cost & services (Transport & related services)
- Wages, salaries and employee benefits
- Grants and other transfers
- Supplies & consumables used
- Other services
- Finance costs/Bank charges
- Other material losses
- Other expenses
- Depreciation and amortization
- Provisions



STATEMENT I (UNSAS)  
STATEMENT OF INCOME AND EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 200X  
(US\$ Thousand)

	Programme Category Funds	General Fund and Special Accounts	Bilateral Operations and Trust Funds	Total WFP Fund	Prior Period
<b>INCOME</b>					
Commodity in-kind contributions	xxx	xxx	xxx	xxx	Xxx
Services-in-kind contributions	xxx	xxx	xxx	xxx	xxx
Others	xxx	xxx	xxx	xxx	xxx
<b>TOTAL INCOME INCLUDING TRANSFER</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>
<b>EXPENDITURE</b>					
Commodities in-kind	xxx	xxx	xxx	xxx	xxx
Commodities purchased	xxx	xxx	xxx	xxx	xxx
Programme support and administration	xxx	xxx	xxx	xxx	xxx
<b>TOTAL EXPENDITURE</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>
Excess/(shortfall) of income over expenditure	xxxx	xxxx	xxxx	xxxx	xxxx
Fund balances, beginning of period	xxxx	xxxx	xxxx	xxxx	xxxx
Contribution adjustments	xxx	xxx	xxx	xxx	xxx
Write-off of accounts receivable	xxx	xxx	xxx	xxx	xxx
Prior period adjustments	xxx	xxx	xxx	xxx	xxx
Savings on cancellation of prior period obligations	xxx	xxx	xxx	xxx	xxx
Transfers between funds and accounts	xxx	xxx	xxx	xxx	xxx
Transfers from reserves	xxx	xxx	xxx	xxx	xxx
<b>FUND BALANCES, END OF PERIOD</b>	<b>Xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>	<b>xxxx</b>



STATEMENT II (IPSAS)  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 200X  
(US\$ thousand)

	NOTES	TOTAL WFP	PRIOR PERIOD
REVENUE			
Cash Contributions		XXX	XXX
In-kind Contributions		XXX	XXX
Other Material Gain/Other revenue		XXX	XXX
<b>TOTAL REVENUE INCLUDING TRANSFER EXPENSES</b>		<b>XXXX</b>	<b>XXXX</b>
Cost of commodities distributed/transferred		XXX	XXX
Distribution cost & services		XXX	XXX
Wages, Salaries and Employee Benefits		XXX	XXX
Other services		XXX	XXX
Depreciation and amortization		XXX	XXX
Provisions		XXX	XXX
Finance costs/Bank charges		XXX	XXX
Other material losses		XXX	XXX
Other expenses		XXX	XXX
<b>TOTAL EXPENSES</b>		<b>XXXX</b>	<b>XXXX</b>
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>		<b>XXXX</b>	<b>XXXX</b>





## FINANCIAL STATEMENTS - Segment reporting:

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### UNDER UNSAS

- a) Assets, liabilities, reserves and fund balances
- b) Income and expenditure
- c) Cash flow
- d) Notes



# Changes in Net Assets/Equity

## COMPARISON OF FINANCIAL STATEMENTS UNDER UNSAS AND IPSAS

### UNSAS

#### BELOW THE LINE

- Fund Balances, beginning of period
- Contribution adjustments
- Write-off of accounts receivables
- Prior period adjustments
- Savings on cancellation of prior period obligations
- Transfers between funds and accounts
- Transfers to reserves
- Fund Balances, end of period

### IPSAS

#### STATEMENT OF CHANGES IN NET ASSETS/EQUITY

Net Asset/Equity at the beginning of the period

- Change in accounting policy
- Correction of prior period error
- Adjustment for the initial recognition of property, plant and equipment
- Adjustments for the initial recognition of stock inventories

Restated Balance at the beginning of the period:

- Transfers between funds and accounts
- Transfers from/to reserves
- Gain/loss on revaluation of PP&E
- Gain or revaluation of investments

Total of items (revenue/expenses) recognized directly in Net Asset/Equity

Surplus/(deficit) for the period

Total recognized revenue and expense for the period

Net Asset/Equity at the end of the period



STATEMENT IV (IPSAS)  
STATEMENT OF CHANGES IN NET ASSETS / EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 200X  
(US\$ thousand)

NEW!!

	NOTES	TOTAL WFP	PRIOR PERIOD
Net Assets/Equity at the beginning of the period		XXXX	XXXX
Change in accounting policy		XXX	XXX
Correction of prior period error		XXX	XXX
Adjustment for the initial recognition of property, plant and equipment		XXX	XXX
Adjustments for the initial recognition of stock inventories		XXX	XXX
Restated Balance at the beginning of the period:		XXXX	XXXX
Transfers between funds and accounts		XXX	XXX
Transfers from/to reserves		XXX	XXX
Gain/loss on revaluation of PP&E		XXX	XXX
Gain on revaluation of investments		XXX	XXX
Total of items (revenue/expenses) recognized directly in Net Assets/Equity		XXXX	XXXX
Surplus/(deficit) for the period		XXXX	XXXX
Total recognized revenue and expense for the period		XXXX	XXXX
Net Assets/Equity at the end of the period		XXXX	XXXX



## A set of financial statements comprises of:

### UNDER IPSAS

- a) Financial position
- b) Financial performance
- c) Changes in net assets/equity NEW
- d) Cash flow
- e) Comparison of budget and actual amounts NEW
- f) Notes, "comprising a summary of significant accounting policies and other explanatory notes."

### UNDER UNSAS

- a) Assets, liabilities, reserves and fund balances
- b) Income and expenditure
- c) Cash flow
- d) Notes



## Cash Flow Statement (IPSAS) & Cash Flow Statement (UNSAS)

### **MAIN DIFFERENCES:**

No major differences between the Statement of cash flow under UNSAS and IPSAS

- Cash and term deposits at beginning of period
- Cash flows from operating activities
- Cash flows from investing activities
- Cash flows from financing activities
- Cash and cash equivalents, end of period



## A set of financial statements comprises of:

### UNDER IPSAS

- a) Financial position
- b) Financial performance
- c) Changes in net assets/equity NEW
- d) Cash flow
- e) Comparison of budget and actual amounts; NEW
- f) Notes, "comprising a summary of significant accounting policies and other explanatory notes."

### UNDER UNSAS

- a) Assets, liabilities, reserves and fund balances
- b) Income and expenditure
- c) A cash flow statement
- d) Notes



STATEMENT V  
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 FOR THE YEAR ENDED 31 DECEMBER 200X  
 (US\$ thousand)

NEW!!

	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
		Original	Final		
Cost components					
Food					
External transport					
LTSH					
ODOC					
DSC					
Sub-total direct costs		x	x	x	x
Regular PSA					
Capital and capacity funds					
Sub-total indirect expenditure		x	x	x	x
Total Budget/Actual		x	x	x	x





## A set of financial statements comprises of:

### UNDER IPSAS

- a) Financial position
- b) Financial performance
- c) Changes in net assets/equity NEW
- d) Cash flow
- e) Comparison of budget and actual amounts; NEW
- f) Notes, "comprising a summary of significant accounting policies and other explanatory notes."

### UNDER UNSAS

- a) Assets, liabilities, reserves and fund balances
- b) Income and expenditure
- c) A cash flow statement
- d) Notes

## UNDER UNSAS

- UNSAS WFP notes expanded over the years (41 pages for 2006)
- Detailed narrative description of transactions (Funds and Reserves)
- Cross-reference to Statements I, II and III
- Description of WFP objective and Summary of significant accounting policies (Note 1 and 2)

## UNDER IPSAS

- Opportunity to streamline WFP's Note disclosure
- Systematic work paper ensures audit trail and description of changes
- Disclosure based on minimum IPSAS requirements
- New IPSAS notes give summarized overview through tables and schedules
- Integral part of the financial statement presentation



## 4. MAJOR AREAS IMPACTED

- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison





# INVENTORIES

## IPSAS overview

### Covered by:

- IPSAS 1: Financial Statements
- IPSAS 12: Inventories
- IPSAS 23: Non-Exchange Transactions
- If on-hand or otherwise under our control, will be recognised as an ASSET in Balance Sheet. We have never done this before.
- About US\$500m to US\$700m in food commodities.





# INVENTORIES

## The Delivery Principle

### The Principle:

The recognition and accrual, if necessary, of expenditures during a financial period is based on goods and/or services delivered against legal obligations.

- Inventory will only be recognised as an EXPENSE once it is DISTRIBUTED to beneficiaries. Prior to IPSAS, we have “expensed” all costs (procurement, transport etc.) as incurred.



# INVENTORIES

## Costs: Up to What Point?

- Accumulation of costs into inventory ceases when stocks first enter the recipient country.
- After that, no matter how much it moves around the recipient country, no increase in value (unless it then moves on to another country).
- Costs of moving stocks in-country are DISTRIBUTION.



# INVENTORIES

## What Goes Into Cost?

Broadly, all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition...

IPSAS 12, para 18

- Procurement
- External transport
- Port clearance, stevedoring
- Land transport across transit countries to recipient countries
- Transformation costs



## 4. MAJOR AREAS IMPACTED

- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison







# FIXED AND INTANGIBLE ASSETS

## Recognition

The initial Recognition of Fixed and Intangible Assets in the financial statements is one of the most challenging areas of IPSAS implementation:

- Capitalization based on threshold limits and Useful life
- Depreciation/Amortization over assets estimated useful lives
- Impairment and valuation





# FIXED AND INTANGIBLE ASSETS

## Intangibles

- Identification of internally developed Intangible assets;
- Rebuild record of externally acquired intangible assets;
- List all potential assets and apply definition, recognition criteria and thresholds to each item on the list;
- Define categories to classify intangible assets;
- Create and maintain asset register;
- Costs involved in internally generated intangible assets, especially internally developed or customized software.



# FIXED AND INTANGIBLE ASSETS

## Main Issues

### ISSUES

- What should be capitalised
  - Based on thresholds
  - Useful life according to asset class
- Asset Management database not linked to values
- Recording from 01-01-08

### RESOLUTIONS

- Take 5 year grace period – initially only recognize assets above thresholds and with more than 5 years useful life remaining
- Physical count at 30/9/07
- AMD data cleansing
- In agreement with UN agreed guidelines



## 4. MAJOR AREAS IMPACTED



- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison





# EMPLOYEE BENEFITS

## Main Issues

- Liabilities for employee benefits are to be fully recognized;
- Recognition at WFP and following the lead of the UN as of 31st December 2007 to serve purposes of establishing opening balances;
- WFP staff under UNDP;
- Funding issue identified but not resolved. In better position than many other UN agencies;
- Recognition of some employee benefits through actuarial calculations.



## EMPLOYEE BENEFITS

### Recognition and Funding

Recognition at WFP as of 31st December 2007 will serve purposes of establishing opening balances

- Compensation Plan Fund (CPRF)
- Death Grant
- Group After Service Medical coverage
- Paid Annual leave
- Education Grant
- Home Leave Travel
- Repatriation Grant
- Repatriation Travel
- Separation Payment Scheme
- Termination Indemnity



## EMPLOYEE BENEFITS

### Recognition and Funding (cont'd)

- Recognition permitted by IPSAS although adequate funding not available at the time of recognition
- Some liabilities have accumulated over many years and are already fully recognized, funded and disclosed.
- Others partially funded or not funded at all



## EMPLOYEE BENEFITS

Liabilities Funding Status and unaudited estimates at 31.12.06

Liabilities	Liability recognized in financial statements
After-service medical coverage	Liabilities, estimated by actuarial study
Separation payments scheme	Liabilities, estimated by actuarial study
Compensation plan reserve fund	Liabilities, estimated by actuarial study
Repatriation grants	To be recognized
Repatriation travel and removal costs	To be recognized
Home leave, Education grants, Field staff	To be recognized
Annual leave	To be recognized
Death grants	To be recognized
Estimated liability at 31 December 2006 (unaudited) US\$ 193.3 million	Funded at 31 December 2006 US\$ 94.9 million





# 4. MAJOR AREAS IMPACTED

- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison





# BUDGET COMPARISON AND RECONCILIATION

## Approved Budget to Actual Comparative Statement

- Additional Statement as part of the Presentation of Financial Statements;
- Comparison prepared on the basis of the budget.

## Variance disclosure: Actuals to budget; original to final budget

- Disclosure of material differences as part of the financial notes;
- Management plan as approved by the board in October as a basis for the original budget.



# BUDGET COMPARISON AND RECONCILIATION

(cont'd)

## Annual budget

- WFP will continue to prepare a biennial budget;
- A breakdown of the biennial budget into the two reporting years is provided in the management plan;
- A two year actual VS budget comparison will be included at the end of the second year of the budget period in addition to an annual schedule.

## Reconciliation Requirements

- Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements;
- Reconciliation to net cash flows from operating activities, investing activities and financing activities.



STATEMENT V  
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 FOR THE YEAR ENDED 31 DECEMBER 200X  
 (US\$ thousand)

	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
		Original	Final		
Cost components					
Food					
External transport					
LTSH					
ODOC					
DSC					
Sub-total direct costs		x	x	x	x
Regular PSA					
Capital and capacity funds					
Sub-total indirect expenditure		x	x	x	x
Total Budget/Actual		51 x	x	x	x





# 5. TRANSITIONAL REQUIREMENTS

## IPSAS Compliance system and transitional high level requirements

Area	Wings I	Wings II	Transitional 2008	Full Compliance Requirements
Fixed assets	Use of AMD and ensure clean data	Introduce fixed assets module	<ul style="list-style-type: none"> <li>i) Invoke 5 year transitional period;</li> <li>ii) Amend AMD with clean data</li> <li>iii) Establish opening balances</li> </ul>	Fixed assets module resulting in proper accounting of fixed assets financial data
Inventories	<ul style="list-style-type: none"> <li>i) Value inventories using COMPAS, and</li> <li>ii) Value HRDs and FESO inventories using current individual applications</li> </ul>	<ul style="list-style-type: none"> <li>i) Upgrade COMPAS; or</li> <li>ii) Use LES</li> </ul>	<ul style="list-style-type: none"> <li>i) Value inventories using COMPAS and current applications – clearance is needed from NAO; and,</li> <li>ii) Establish opening balances</li> </ul>	Inventory system resulting in proper inventory accounting financial data
Employee Benefits	<ul style="list-style-type: none"> <li>i) Record major liabilities using actuarial data;</li> <li>ii) Record Leave balances using manual calculation; and,</li> <li>iii) Need to record national staff liabilities</li> </ul>	To provide some automation through reports of some of the manual action	<ul style="list-style-type: none"> <li>i) Recognition of employee benefits prior to IPSAS adoption provided adequate coverage;</li> <li>ii) Need to ensure that data related to national staff is accurately provided for; and,</li> <li>iii) Establish opening balances.</li> </ul>	Recognition and provision for all employee liabilities within the financial statements. Funding should be considered noting that it is more of a budgetary than a financial accounting issue.



# 5. TRANSITIONAL REQUIREMENTS

## IPSAS Compliance system and transitional high level requirements

Area	Wings I	Wings II	Transitional 2008	Full Compliance Requirements
Financial Statements	<ul style="list-style-type: none"> <li>i) Remap all three basis financial statements and establish the fourth new one – net assets related; and</li> <li>ii) Produce accompanying notes</li> </ul>	<ul style="list-style-type: none"> <li>i) Remapping and electronic production of all financial statements; and</li> <li>ii) Produce accompanying notes</li> </ul>	<ul style="list-style-type: none"> <li>i) Need all available resources to remap the statements;</li> <li>ii) Manual remapping could be used;</li> <li>iii) Establish opening balances for assets, liabilities and fund balances, and,</li> <li>iv) Produce accompanying notes</li> </ul>	All financial statements and accompanying notes should reflect all standards issued under IPSAS and some of the IFRS/IAS requirements
Budget Comparison	Establish new statement disclosures for budget to actual comparison and a note disclosure for the reconciliation of cash flows to the financial statements	Electronically produce the budget comparison and reconciliation	Manual intervention will be required to manually produce the reconciliation and comparison	Requirements of IPSAS 24 need to be met through the budget comparison to actual and the reconciliation of cash flows from budget to the financial statements



## 6. STATUS UPDATE AS AT DECEMBER 2007

### Main activities

- Finalization of IPSAS implementation manual and Risk assessment report
- Inventory Valuation 2nd dry run completed in advance of real exercise 31/12
- Opening Balances requirements and disclosure
- Organization of Awareness and Accrual Accounting Training at HQ, RBs and COs
- Continuous preparation for Board Briefings and Reports
- Data collection for intangible and leases
- Model for the Financial Statements which will require just the input of opening balances
- Inventory Policy – expense recognition
- IPSAS adoption 1st Jan. 2008 – continued support and oversight



## 7. MOVING FORWARD

- Close cooperation WINGS II and IPSAS implementation teams
- IPSAS accounting implementation manual; Development of new IPSAS financial statements & note disclosures
- Opening Balances for the first IPSAS compliant financial statements & meaningful comparison between budget and its actuals in financial statements
- Field and HQ staff training and awareness courses
- Coordination of int/ext WG, exchange of advice and knowledge with NAO
- Carry out quality control post adoption stage to ensure coverage





## 8. RISKS AND MITIGATIONS

### WFP Internal-Risks

- Tight timeline & Systems dependency on ERP System

### UN External-Risks

- WFP is an early adopter in 2008 while other UN in 2010 which may develop principles differently.

### IPSAS Board External/Risks

- No IPSAS standards exist for areas such as Employee Benefits, Intangible Assets, Financial Instruments

### Other External/Risks

- External Auditor sign off on 2008 IPSAS accounts dependent on satisfactory new policies, processes and related application to data

### WFP Internal-Mitigation

- Cooperation with WINGS II and BUs - Manual processes in 2008

### UN External-Mitigation

- Close coordination with the UN team

### IPSAS Board External/Mitigation

- Coordination with the UN team and technical agreement and use of IFRS standards where IPSASs don't exist

### Other External/Mitigation

- Regular communication with principal stakeholders (ED, External Auditors, Donors etc..)



## 9. FREQUENTLY ASKED QUESTIONS

Is transition to IPSAS implying an increase of the expenses recorded by UN system organizations?

NO, IPSAS records and recognizes “expenses” in addition to “cash outlays”

Expense: Cost or economic value used in an organization activity not the monetary disbursement following the purchase of a good or a service

Cost can be higher than actual cash outlays because of non-monetary elements (such as provisions)



## 9. FREQUENTLY ASKED QUESTIONS

IPSAS Adoption seems expensive! What are the main costs related to the project? Why implementation costs vary from organization to organization?

In many organizations the adoption of IPSAS is part of a broader program for modernization of accounting system. Main costs are related to:

- Implementation of new information systems (so called “Enterprise Resource Planning”)
- Training
- External support for Change Management and Project Management
- Timeframe considered in budget submitted to Governing Bodies



## 9. FREQUENTLY ASKED QUESTIONS

Does IPSAS adoption require a move from a biennial to an annual budget cycle?

Adoption of IPSAS does not require WFP to move to an annual budget cycle.

The current biennial budget cycle will be retained as this ensures greater continuity, stability and support for field operations and projects.

However, to enhance transparency and accountability in support of IPSAS adoption, the biennial budget includes an annual breakdown for each of the two annual financial periods covered during the said biennium, in order to facilitate comparison of actual results with budgeted amounts.



## 10. IPSAS ADOPTION IN GOVERNMENTS

### Countries that Have Adopted IPSAS

#### Developing countries (List A)

- Uganda
- Zambia

#### Developing countries (List B)

- Timor-Leste
- Philippines

#### Developing countries (List C)

- Peru

#### Economically developed countries (List D)

- Cyprus

#### Economically developed countries (List E)

- Azerbaijan
- Romania
- Russia



## 10. IPSAS ADOPTION IN GOVERNMENTS

### Countries that Are Adopting IPSAS

#### Developing countries (List A)

- Algeria
- Gambia
- Ghana
- Nigeria
- South Africa

#### Developing countries (List B)

- Afghanistan
- Bangladesh
- China
- Cambodia
- Indonesia
- Malaysia
- Mongolia
- Pakistan
- Sri Lanka
- Vietnam

#### Developing countries (List C)

- Argentina
- Barbados

#### Economically developed countries (List D)

- France
- Israel
- Netherlands
- Norway
- Spain
- Switzerland

#### Economically developed countries (List E)

- Armenia
- Macedonia



## 10. IPSAS ADOPTION IN GOVERNMENTS

### Other

Countries that have adopted National Public Sector Accounting Standards similar to IPSAS

- Australia
- Canada
- New Zealand
- United Kingdom
- United States of America



## USEFUL LINKS



- » [www.unsystemceb.org](http://www.unsystemceb.org)
- » [www.un.org/documents](http://www.un.org/documents)
- » [www.ifac.org](http://www.ifac.org)
- » [www.iasplus.com](http://www.iasplus.com)

